

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SAJ-01 SP-03 AID-20 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 AEC-11 DODE-00 FEAE-00 FPC-01 H-03

INT-08 L-03 PM-07 SAM-01 SCI-06 PA-04 PRS-01 USIA-15

DRC-01 FTC-01 DLOS-07 COA-02 /214 W
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FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 2608

INFO AMEMBASSY BELGRADE

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E.O. 11652: N/A

TAGS: ENRG, BFOL, YO

SUBJECT: FOREIGN PARTICIPATION IN OFFSHORE DRILLING AND OIL
AND GAS PRODUCTION IN YUGOSLAV ADRIATIC

REF: A. BELGRADE 3362; B. ZAGREB 0060; C. ZAGREB 0107, 3/2/73

SUMMARY: INA OFFICIAL PREDICTS NO LACK INTEREST ON PART MAJOR
US OIL COMPANIES IN "JOINT VENTURE OR OTHER ARRANGEMENT" ONCE
LEGISLATION PROVIDING ADEQUATE BASIS FOR JOINT OFFSHORE EXPLORA-
TION HAS BEEN PASSED. SEEMS POSSIBLE THAT DELAY IN FEDERAL
ASSEMBLY'S CONSIDERATION OF LEGISLATION PROPOSED FROM CROATIA RE
JOINT OFFSHORE EXPLORATION MAY RELATE TO INTERNAL DISCUSSION AS
TO WHICH YUGOSLAV ENTITIES HAVE EXPLORATION RIGHTS ON ADRIATIC
SEABED BEYOND YUGOSLAVIA'S 10-MILE TERRITORIAL WATERS. INA
OFFICIAL INDICATES THAT COST OF HIRE OFFSHORE OIL RIGS NOW SO
HIGH THAT INA'S EXPLORATION EFFORTS SLOWED. END SUMMARY

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1. ON JULY 26, ASKED ENGINEER STJEPAN ZINIC, DIRECTOR INA

NAFTAPLIN (INA'S PETROLEUM AND GAS EXPLORATION UNIT) ABOUT DISAPPOINTMENT EXPRESSED IN BELGRADE TO AMBASSADOR TOON (REF A) THAT NEGOTIATIONS BETWEEN MAJOR US OIL COMPANIES AND INA ZAGREB ON JOINT OFFSHORE EXPLORATION AT STANDSTILL.

2. ZINIC REPLIED THERE IS NOW LITTLE ROOM FOR NEGOTIATION SINCE PROPOSED LEGISLATION FORWARDED OVER A YEAR AGO FROM CROATIA (REFS B AND C) TO BELGRADE INTENDED ESTABLISH SUITABLE BASIS FOR JOINT OFFSHORE EXPLORATION ARRANGEMENTS HAS NEVER REACHED FEDERAL ASSEMBLY'S AGENDA. ZINIC HOPES IT WILL MAKE AGENDA THIS FALL. HE STATES NO LACK US INTEREST IN JOINT OFFSHORE EXPLORATION, BUT EMPHASIZES NEED IN PARTICULAR FOR LEGISLATION ENABLING FOREIGN PARTNER IN "JOINT VENTURE OR OTHER FORM OF COOPERATION" FOR OFFSHORE EXPLORATION TO REPATRIATE INVESTMENT MORE EXPEDITIOUSLY.

3. ZINIC SAID INA'S ADRIATIC OFFSHORE EXPLORATION TO DATE HAS DISCOVERED NO PETROLEUM, BUT HAS LOCATED SOME GAS. THIS CONNECTION, IN UNDERLINING COMPLEX GEOLOGICAL STRUCTURE ADRIATIC BASIN, HE EXPRESSED SOME CONFIDENCE THAT PETROLEUM WILL BE DISCOVERED. AT SAME TIME, HE INDICATED THAT INA'S OFFSHORE EXPLORATION HAS SLOWED. ACCORDING ZINIC, "NEPTUNE" DRILLING RIG, PREVIOUSLY ENGAGED ON CONTRACT BASIS FROM FRENCH GASCOIGNE COMPANY (REF C), NOW IN BRAZIL. HE CONTINUED THAT DEMAND FOR OFFSHORE RIGS SUCH THAT THEIR PRICES SOARING. HE PREDICTS, THOUGH, THAT, IN "YEAR OR TWO," THEIR PRICES WILL FALL. HE NOTED ALSO THAT CONSIDERATION BEING GIVEN TO CONSTRUCTION OFFSHORE RIG IN YUGOSLAVIA.

4. WITH REGARD INA'S SCOPE FOR ADRIATIC OFFSHORE EXPLORATION, ZINIC SAID THAT INA, AS SOCIALIST REPUBLIC OF CROATIA'S OIL AND GAS ENTITY, HAS SOLE EXPLORATION RIGHTS ON ALL OF SEABED OFF CROATIA WHOSE TERRITORY INCLUDES SOME 90 PER CENT OF YUGOSLAVIA'S COAST. ZINIC EMPHASIZED THAT THESE RIGHTS EMBRACE SEABED OUT TO MID-ADRIATIC DEMARCATION LINE DIVIDING YUGOSLAVIA'S AND ITALY'S ZONES OF SEABED INTEREST. ON OTHER HAND, LAW-OF-SEA EXPERT TOLD ME EARLIER THAT CROATIA ENJOYS SOLE EXPLORATION RIGHTS ON SEABED ONLY TO THE EXTREMITY OF YUGOSLAVIA'S 10-MILE TERRITORIAL WATERS OFF CROATIA AND THAT EXPLORATION RIGHTS ON SEABED BEYOND TERRITORIAL WATERS OUT TO YUGOSLAV-ITALIAN DEMARCATION LINE LIMITED OFFICIAL USE

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SHARED BY YUGOSLAVIA AS A WHOLE.

5. COMMENT: SEEMS POSSIBLE, GIVEN DIVERGENT VIEWS EXPRESSED PARA 4 ABOVE, THAT INTER-REPUBLICAN DISCUSSION REGARDING EXPLORATION RIGHTS ON SEABED BEYOND TERRITORIAL WATERS MAY BE CONTRIBUTING TO FEDERAL ASSEMBLY'S DELAY IN CONSIDERING LEGISLATION PROPOSED FROM CROATIA CONCERNING JOINT OFFSHORE EXPLORATION. ASSURANCE YUGOSLAV ECONOMIC CHAMBER SECRETARY

MARJANOVIC GAVE TO AMBASSADOR THAT INA "WOULD SOON HAVE FLEXIBILITY"
TO CONCLUDE ARRANGEMENTS SATISFACTORY TO FOREIGN PARTNERS (SEE
BELGRADE 3362) IS INDICATION THAT HELPFUL LEGISLATION MAY
AT LAST BE ON ITS WAY.
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